

Exhibit C

In The Matter Of:

FEDERAL HOUSING FINANCE AGENCY, etc.

v.

UBS AMERICAS, INC., et al.

RONALD FEIGLES - Vol. 2

June 13, 2013

MERRILL CORPORATION

LegalLink, Inc.

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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

-----x
FEDERAL HOUSING FINANCE :
AGENCY, etc. :
Plaintiff, :
vs. : 11 Civ. 5201
UBS AMERICAS, INC., et al., : (DLC)
Defendants. :
-----x
FEDERAL HOUSING FINANCE AGENCY, etc. :
Plaintiff, :
vs. : 11 Civ. 6188
JPMORGAN CHASE & CO., et al. : (DLC)
Defendants. :
-----x
FEDERAL HOUSING FINANCE AGENCY, etc., :
Plaintiff, :
vs. : 11 Civ. 6189
HSBC NORTH AMERICA HOLDINGS, INC., et : (DLC)
al., :
Defendants. :
-----x

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1	-----x
2	FEDERAL HOUSING FINANCE AGENCY, etc., :
3	Plaintiff :
4	vs. : 11 Civ. 6190
5	BARCLAYS BANK PLC, et al., : (DLC)
6	Defendants. :
7	-----x
8	FEDERAL HOUSING FINANCE AGENCY, etc., :
9	Plaintiff, :
10	vs. : 11 Civ. 6192
11	DEUTSCHE BANK AG, et al., : (DLC)
12	Defendants. :
13	-----x
14	FEDERAL HOUSING FINANCE AGENCY, etc., :
15	Plaintiff, :
16	vs. : 11 Civ. 6193
17	FIRST HORIZON NATIONAL CORP., et al., : (DLC)
18	Defendants. :
19	-----x
20	FEDERAL HOUSING FINANCE AGENCY, etc., :
21	Plaintiff, :
22	vs. : 11 Civ. 6195
23	BANK OF AMERICA CORP., et al. :
24	Defendants. :
25	-----x

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1	-----x
2	FEDERAL HOUSING FINANCE AGENCY, etc., :
3	Plaintiff, :
4	vs. : 11 Civ. 6198
5	GOLDMAN, SACHS & CO., et al., : (DLC)
6	Defendants. :
7	-----x
8	FEDERAL HOUSING FINANCE AGENCY, etc., :
9	Plaintiff, :
10	vs. : 11 Civ. 6200
11	CREDIT SUISSE HOLDINGS (USA), INC., : (DLC)
12	et al., :
13	Defendants. :
14	-----x
15	FEDERAL HOUSING FINANCE AGENCY, etc., :
16	Plaintiff, :
17	vs. : 11 Civ. 6201
18	NOMURA HOLDING AMERICA, INC., et al., : (DLC)
19	Defendants. :
20	-----x
21	FEDERAL HOUSING FINANCE AGENCY, etc., :
22	Plaintiff, :
23	vs. : 11 Civ. 6202
24	MERRILL LYNCH & CO., INC., et al., : (DLC)
25	Defendants. :

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1 -----x
2 FEDERAL HOUSING FINANCE AGENCY, etc., :
3 Plaintiff, :
4 vs. : 11 Civ. 6203
5 SG AMERICAS, INC., et al., : (DLC)
6 Defendants. :
7 -----x
8 FEDERAL HOUSING FINANCE AGENCY, etc., :
9 Plaintiff, :
10 vs. : 11 Civ. 6739
11 MORGAN STANLEY, et al : (DLC)
12 Defendants. :
13 -----x
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1 IN THE UNITED STATES DISTRICT COURT
2 DISTRICT OF CONNECTICUT
3 -----x
4 FEDERAL HOUSING FINANCE AGENCY, :
5 etc., :
6 Plaintiff, :
7 vs. : Case No.
8 THE ROYAL BANK OF SCOTLAND GROUP : 3:11-cv-01383-AWT
9 PLC, et al., :
10 Defendants. :
11 -----x
12
13
14 VOLUME II
15 Videotaped Deposition of Ronald Feigles
16 Washington, D.C.
17 June 13, 2013
18 9:27 a.m.
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21
22
23 Job No. 22-234640
24 Pages 394 -
25 Reported by: Bonnie L. Russo

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2 P R O C E E D I N G S

3

4 THE VIDEOGRAPHER: Here begins Tape
5 No. 1, Volume II in the deposition of Ronald
6 Feigles. Today's date is June 13th, 2013.

7 I would like to remind the witness
8 that he is still worn in from yesterday.

9 You may begin.

10 RONALD FEIGLES,

11 was called for examination by counsel and,
12 after having been duly sworn by the Notary, was
13 examined and testified as follows:

14 EXAMINATION BY COUNSEL FOR DEFENDANT

15 GOLDMAN, SACHS & CO.

16 BY MR. HARSCH:

17 Q. Mr. Feigles, my name is Brad Harsch
18 from the Sullivan & Cromwell law firm. I
19 represent Goldman Sachs. I'm going to ask you
20 some questions on behalf of all the defendants
21 today.

22 Do you understand that?

23 A. Yes.

24 Q. And you understand you're still
25 under oath in this continued deposition?

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2 A. Yes.

3 Q. I want to ask you about some of the
4 bulk purchases that you testified about
5 yesterday.

6 Did -- did Freddie Mac purchase
7 loans in bulk that were subprime and Alt-A?

8 A. I believe so.

9 Q. Were you involved in due diligence
10 on some of those bulk purchases?

11 A. Yes.

12 Q. And can you estimate, approximately,
13 how many bulk purchases of subprime and Alt-A
14 loans Freddie Mac conducted?

15 A. 10 to 15.

16 Q. And what period did that -- during
17 what period did that occur?

18 A. While I was there, 2006 to 2000 --
19 January maybe 2008.

20 Q. And do you remember which
21 originators Freddie Mac bulk purchased these
22 Alt-A and subprime loans from?

23 A. Primarily Washington Mutual, Wells
24 Fargo, Barclays, Equifirst, CitiMortgage, MIT
25 Deutsche Bank. Those are the ones I recall.

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2 Q. Do you recall that Freddie Mac
3 purchased loans in bulk from GreenPoint?

4 Let me put it this way: That had
5 been originated by GreenPoint?

6 MR. OBLAK: Objection to the form.

7 THE WITNESS: I do not recall that,
8 at least under my purview.

9 BY MR. HARSCH:

10 Q. What about Ameriquest?

11 A. Also not under my purview.

12 Q. New Century?

13 A. No.

14 Q. First Franklin?

15 A. First Franklin, I'm a little hazy
16 on. Maybe we did a bulk for them. I don't
17 recall.

18 Q. And if bulk purchases were done
19 under someone's purview other than yourself,
20 whose purview would they have been done under?

21 A. So I only did the reviews that were
22 assigned to me. So in the 2006 to 2008 time
23 frame, only if someone external to my group
24 decided that they wanted pre-funding due
25 diligence was I involved. So they may have

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2 done a lot of bulk purchases or some bulk
3 purchases or no bulk purchases that it was
4 determined no pre-funding due diligence was
5 required. I had no insight to how many bulk
6 purchases they were buying that it was
7 determined no pre-funding due diligence was
8 required. I only saw those loans that somebody
9 determined pre-funding due diligence was a
10 prerequisite.

11 Q. And who made that determination?

12 A. I don't know.

13 Q. Who would -- to whom would you
14 report the results of your due diligence on
15 these reviews of subprime and Alt-A bulk
16 purchases?

17 A. We had a standard group e-mail that
18 we utilized. It's pretty lengthy. Probably a
19 lot of the people that we talked or saw on the
20 one group e-mail looked at yesterday.

21 Q. Would Kevin Palmer been among those
22 people?

23 A. Probably.

24 Q. Don Bisenius?

25 A. Yes.

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2 Q. Why would -- why would either of
3 those two individuals have been involved?

4 A. Why would they have been involved?

5 Q. Yes.

6 A. Well, in the time when we were doing
7 at least the -- the subprime, which would have
8 been late 2007, Don was in charge of the
9 subprime initiative. Kevin, what his
10 involvement was with bulk purchases or T deals,
11 I don't really know.

12 Q. And explain briefly, please, what
13 the subprime initiative is?

14 A. So, in 2007, Freddie Mac decided
15 that they were going to put out an offering
16 where they would establish guidelines for the
17 purchase of subprime loans. That would be the
18 subprime initiative. Called Home Steps.

19 Q. Home Steps?

20 And --

21 A. I'm not sure what it was -- I don't
22 think Home Steps was actually the right answer.
23 I don't recall.

24 Q. Was there a program called Safe
25 Steps?

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2 A. Safe Steps.

3 Q. Okay.

4 A. Yes.

5 Q. And, as part of Safe Steps, Freddie
6 Mac was going to purchase subprime loans
7 directly from originators?

8 A. I think that was the intent.

9 Q. Did that occur?

10 A. I'm not sure that we ever did it in
11 any fashion other than bulk.

12 Q. Do you know whether Freddie Mac
13 competed with other entities to purchase these
14 subprime bulk loans?

15 A. Specifically, no.

16 Q. What about generally?

17 A. Probably. I don't know.

18 Q. Do you know whose -- who was Freddie
19 Mac's competition for purchasing such Alt-A and
20 subprime bulk loans?

21 MR. OBLAK: Objection to the form.

22 THE WITNESS: I don't know other
23 company's practices. I understand the Wall
24 Street firms bought subprime loans.

25 BY MR. HARSCH:

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2 Q. Was it your understanding that
3 Freddie Mac competed Wall Street firms to buy
4 subprime loans in bulk?

5 MR. OBLAK: Objection to the form.

6 THE WITNESS: Probably they did.

7 Again, specifically I don't know who competed
8 for our subprime loans.

9 BY MR. HARSCH:

10 Q. But was it your understanding that
11 Freddie Mac was competing with Wall Street to
12 buy these subprime loans?

13 MR. OBLAK: Objection to the form.

14 THE WITNESS: I don't know if it was
15 my understanding. It was probably my
16 assumption that that was what was occurring.

17 BY MR. HARSCH:

18 Q. Did Freddie Mac bid on these loans?

19 A. I don't know. I don't know the
20 process for purchasing the bulk purchases.

21 Q. You mentioned the T deals.

22 Are you familiar with the general
23 structure of a T deal?

24 A. Generally I am.

25 Q. Can you just tell me what that

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2 general structure is?

3 A. It would be where a -- essentially,
4 a bulk of loans were -- were bought and pooled
5 into a security in which we guarantee.

6 Q. And in a T deal, which entity bore
7 the risk if the collateral failed to perform?

8 MR. OBLAK: Objection to the form.

9 THE WITNESS: To the extent that we
10 had a guarantee RAP on the entire pool, Freddie
11 Mac.

12 BY MR. HARSCH:

13 Q. And was it typically the case that
14 Freddie Mac had a guarantee RAP on the entire
15 pool on a T deal?

16 A. Specifically to all T deals, I don't
17 know. My understanding was generally yes.

18 Q. And was that part of the reason that
19 you were doing due diligence on the bulk
20 purchases because Freddie Mac bore the risk of
21 non-performance of that collateral?

22 MR. OBLAK: Objection to the form.

23 THE WITNESS: Probably so.

24 BY MR. HARSCH:

25 Q. Was that your assumption?

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2 MR. OBLAK: Objection to the form.

3 THE WITNESS: Again, I didn't have
4 an assumption. I was asked to perform a
5 function to do pre-funding due diligence on
6 pools of loans, and it hadn't been decided
7 to which pools or -- or really the reasons why.

8 BY MR. HARSCH:

9 Q. Was it your -- was it your belief
10 that one of the reasons you were doing due
11 diligence on these bulk purchases of subprime
12 and Alt-A loans was because Freddie Mac bore
13 the risk of nonperformance?

14 MR. OBLAK: Objection to the form.

15 THE WITNESS: My understanding was
16 that we did pre-funding due diligence because
17 these were different loan types that Freddie
18 Mac had not previously had a whole loan or
19 first loss position on. These were different
20 structures, Alt-A subprime.

21 BY MR. HARSCH:

22 Q. What effect did that have, the fact
23 that they were different kinds of loans that
24 Freddie Mac was buying?

25 MR. OBLAK: Objection to the form.

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2 BY MR. HARSCH:

3 Q. Isn't the reason that -- isn't the
4 fact that they were different loans that
5 Freddie typically bought, isn't that -- doesn't
6 that speak to an extra degree of risk for
7 Freddie Mac?

8 MR. OBLAK: Objection to the form.

9 THE WITNESS: Which is why I think
10 we did pre-funding due diligence.

11 BY MR. HARSCH:

12 Q. So -- so Freddie Mac decided to do
13 pre-funding due diligence as opposed to
14 post-funding due diligence because these loans
15 were unfamiliar to Freddie Mac?

16 MR. OBLAK: Objection to the form.

17 THE WITNESS: It doesn't preclude
18 doing post-funding due diligence, but I think
19 that was -- it's my understanding that was the
20 reason why we did pre-funding due diligence.

21 BY MR. HARSCH:

22 Q. Because there is a perceived
23 increased risk from these products?

24 MR. OBLAK: Objection to the form.

25 THE WITNESS: I think to gain a

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2 better understanding of what we were buying.

3 BY MR. HARSCH:

4 Q. In terms of pre-funding due
5 diligence -- did -- let me withdraw that.

6 Did Freddie Mac perform pre-funding
7 due diligence on bulk purchase of loans other
8 than this -- as part of the subprime
9 initiative?

10 A. Yes.

11 Q. And in what context did those occur?

12 A. Option ARMs. Alt-A loans.

13 Q. Are Option ARMs the same thing as
14 Alt-A loans?

15 A. It would certainly be -- Option ARMs
16 would be in the family of Alt-A loans.

17 Q. So all Option ARMs are Alt-A loans?

18 A. I would say so, yes.

19 Q. How did Freddie Mac determine what
20 kinds of due diligence procedures or processes
21 it would put in place in performing pre-
22 funding due diligence of these subprime and
23 Alt-A bulk purchases?

24 A. Whenever I arrived in Freddie Mac in
25 February of 2006, I think they had done two or

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2 three previous pre-funding due diligence
3 reviews. There was general guidelines.
4 Followup to establish a process to formalize
5 the process for performing pre-funding due
6 diligence.

7 Q. Did Freddie Mac look to any models
8 or examples outside of Freddie Mac itself in
9 determining what kind of pre-funding due
10 diligence to perform on subprime and Alt-A bulk
11 purchases?

12 A. So my recollection is that I had
13 conversations with people that did pre-funding
14 due diligence. I looked at what I was able to
15 find in some of our previous aggregator
16 reviews, how -- how it was structured, and we
17 built off of that and the existing process at
18 Freddie Mac.

19 Q. So you -- you consulted existing
20 aggregator reviews, in part, to determine the
21 processes by which Freddie Mac was going to
22 perform pre-funding due diligence on bulk
23 purchases?

24 A. Specifically, I don't recall that.
25 I believe that would have been the process we

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2 would have followed. Specifically, I don't
3 recall how we arrived at our process. I know
4 it was an iterative process that we put
5 together over several months to come up with
6 the process that we were comfortable with.

7 Q. Why did you look at the aggregator
8 reviews as part of that process?

9 A. Again, I don't recall specifically
10 looking at them. My assumption is that that
11 was probably part of the process.

12 Q. Why?

13 MR. OBLAK: Objection to the form.
14 THE WITNESS: They may have had
15 information that would have given us some
16 insight to processes.

17 BY MR. HARSCH:

18 Q. Did you feel that Freddie Mac ended
19 up with a process that was similar to the
20 process that you learned of through these
21 aggregator reviews?

22 MR. OBLAK: Objection to the form.

23 THE WITNESS: I thought our process
24 was more robust.

25 BY MR. HARSCH:

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2 Q. How is that?

3 A. Well, for one, we always went on
4 site with our due diligence provider, so -- so
5 we -- we were there with them. We gave them, I
6 think, more detailed specific instructions of
7 what we expected of them. We -- when -- when
8 provided a pool, we instituted a process where
9 we did additional upfront risk checks, fraud
10 checks, collateral checks to determine loans
11 that potentially could have been high risk.
12 Our sampling was -- my understanding, was all
13 adverse. We -- any loan that hit our -- that
14 we determined that hit some of the risk
15 indicators, the risk tools that we utilized
16 upfront, we looked at irrespective of the due
17 diligence provider's findings. So while they
18 may have found the loan completely acceptable,
19 we would have looked at that loan to evaluate
20 it and make sure we were comfortable with the
21 purchase of that particular loan.

22 Q. By the time the majority of these --
23 did Freddie Mac institute these -- around what
24 time period did Freddie Mac institute these
25 pre-funding due diligence procedures?

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2 A. Well, to the best of my knowledge,
3 the first pre-funding due diligence was done
4 in the fall or winter of 2005.

5 Q. And they continued through at least
6 to 2008?

7 A. I think January of 2008 might have
8 been our last one.

9 Q. You felt pretty confident in the due
10 diligence processes that Freddie Mac
11 instituted, correct?

12 MR. OBLAK: Objection to the form.

13 THE WITNESS: I felt good in my
14 process, yes.

15 BY MR. HARSCH:

16 Q. And you felt that they were
17 reliable?

18 A. All the loans we looked at I did.

19 Q. Now, were the loans that Freddie Mac
20 purchased -- were the subprime an Alt-A loans
21 that Freddie Mac purchased as part of its bulk
22 purchase program underwritten at least in part
23 to lenders' guidelines?

24 MR. OBLAK: Objection to the form.

25 THE WITNESS: Probably most of them.

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2 Not necessarily all of them. I don't recall
3 specifically. I think some of the subprime
4 loans may have been underwritten specifically
5 to the Safe Steps program.

6 BY MR. HARSCH:

7 Q. But your recollection is that most
8 of these loans were under written to lenders'
9 guidelines, correct?

10 MR. OBLAK: Objection to the form.

11 THE WITNESS: My recollection is
12 that most of the loans were underwritten to the
13 lenders' guidelines with specific carve-outs.

14 BY MR. HARSCH:

15 Q. And what were the specific
16 carve-outs?

17 A. It would vary from pool to pool.
18 Certain types of loans or certain loan
19 characteristics that we would have purchased.

20 Q. And were these carve-outs as a
21 result of the Safe Steps program?

22 A. Could be.

23 Q. I'm just trying to understand how --
24 how the Safe Steps program worked. What sort
25 of criteria did it impose on these -- on these

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2 loans?

3 Do you understand the question?

4 MR. OBLAK: Objection to the form.

5 THE WITNESS: Well, there were
6 guidelines. There were Safe Step guidelines.
7 So did they meet the guidelines or not? I
8 wasn't the credit manager, so we got defined
9 credit terms and we applied them.

10 BY MR. HARSCH:

11 Q. So Safe Steps would impose certain
12 credit limitations in terms of the loans that
13 Freddie Mac could purchase?

14 A. I wasn't involved in the decision
15 process of what the credit box that we were
16 going to underwrite to.

17 Q. Who was involved in the -- in that
18 process?

19 A. Specifically, I don't know. I'm
20 sure Bob Skinner, who -- who is a director in
21 our credit department, would have been involved
22 in that process. Probably other parties as
23 well.

24 Q. Do you have a sense of approximately
25 how many loans would be excluded from a

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2 purchase based on Safe Steps that Freddie
3 might, you know, otherwise purchase if Safe
4 Step hadn't been part of the criteria for --
5 for the purchase?

6 MR. OBLAK: Objection to the form.

7 THE WITNESS: Can you repeat that?

8 I'm sorry.

9 BY MR. HARSCH:

10 Q. Do you have a sense of approximately
11 how many loans might be excluded based on Safe
12 Step?

13 A. No sense.

14 Q. When you said -- you mentioned
15 something about Freddie Mac being in the first
16 loss position with these T deals.

17 Can you explain what that is? What
18 you mean by that?

19 A. That if there was a -- a loss
20 occurred, that is, if a mortgage defaulted and
21 there was a loss, we guaranteed the loss. So
22 we would absorb the loss.

23 Q. After Freddie Mac purchased these
24 subprime and Alt-A loans in bulk, did Freddie
25 Mac conduct any repurchase claims or make any

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2 of me and render a decision on the
3 acceptability of those 500 or 200 or a thousand
4 loans that we were reviewing for review.

5 BY MR. HARSCH:

6 Q. What percentages of the pool did
7 Freddie Mac typically sample in conducting due
8 diligence of Alt-A or subprime bulk purchases?

9 MR. OBLAK: Objection to the form.

10 THE WITNESS: I don't know.

11 BY MR. HARSCH:

12 Q. 25 percent?

13 MR. OBLAK: Same objection.

14 THE WITNESS: I use that as a -- as
15 an assumption in -- in a previous document, but
16 I don't know specifically what our sampling
17 methodology was or our sampling structure was.
18 I do know it was adverse. But more than that,
19 I don't know.

20 BY MR. HARSCH:

21 Q. So using 25 percent as an
22 assumption -- as the assumption, that would
23 leave 75 percent of the pool unsampled, right?

24 A. If that was the assumption, yes, it
25 would.

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2 Q. And do you think that in identifying
3 the samples to be reviewed, Freddie Mac managed
4 to identify only the loans that had material
5 defects?

6 A. Can you repeat that?

7 Q. Do you think that in identifying the
8 sample to be reviewed, Freddie Mac managed to
9 identify only the loans in the pool that would
10 have had material defects?

11 MR. OBLAK: Objection to the form.

12 THE WITNESS: Given it was a sample,
13 one could reasonably assume there were other
14 loans that had defects.

15 BY MR. HARSCH:

16 Q. Right.

17 So one could reasonably assume that
18 in the unsampled portion of the pool, there
19 were material defects, correct?

20 MR. OBLAK: Objection to the form.

21 THE WITNESS: Yes.

22 BY MR. HARSCH:

23 Q. All right. Did that give you
24 concern as someone who is involved in the
25 process of these bulk purchases, that there

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2 were potentially material defects in the
3 unsampled portions of these pools?

4 MR. OBLAK: Objection to the form.

5 THE WITNESS: At this point in time,
6 in 2006, 2007, did that give me concern?

7 BY MR. HARSCH:

8 Q. Yes.

9 A. No, because any -- any pool of loans
10 that Freddie Mac bought, whether they were
11 subprime or prime, if you look at enough you're
12 going to find some loans that don't meet some
13 requirement or some guidelines. So there was
14 an understanding that in any group of loans,
15 there would be some loans that are ineligible.

16 Q. You said that Freddie Mac used
17 Clayton to conduct the diligence on the bulk
18 purchases, correct?

19 A. I did.

20 Q. Did you think they did good work?

21 A. I thought they did okay.

22 Q. Did you feel that their -- the
23 results of their work were reliable?

24 A. Depending on the reviews, some more
25 than others.

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2 Q. You wouldn't -- you continued to use
3 Clayton throughout the whole process, correct?

4 A. Right.

5 Q. And you never stopped using them,
6 right?

7 A. Correct.

8 Q. So if you thought that they didn't
9 do work that was reliable -- if you thought
10 they didn't do work that was at least adequate,
11 you wouldn't have used them, correct?

12 A. We put more oversight on them, I
13 believe, in 2000 -- late 2007 than we did in
14 2006.

15 Q. Why is that?

16 A. 2006 we had a recurring
17 transactions -- again, as I had mentioned with
18 Washington Mutual, we had the same individuals
19 month in and month out. We knew them. We had
20 a comfort level with the -- the work they were
21 doing for us. In 2007, we did fewer bulk
22 purchases. They were, I think, scattered
23 throughout the United States. A lot of
24 different individuals. I put more resources on
25 double-checking their work.

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2 Q. Did you continue to believe that
3 their work was reliable in 2007?

4 A. As I recall, the last time we used
5 them, which was the Equifirst deal, I had a lot
6 of concerns with the work that was being done.

7 Q. And how did you -- did you voice
8 those concerns with somebody?

9 A. With Clayton.

10 Q. And what were the concerns?

11 A. The level review that they stated
12 that they were doing or their processes -- the
13 concerns were, I guess in a nutshell, I don't
14 believe they were following their processes.

15 Q. Who did you raise that concern with?

16 A. Specifically inside of Clayton, I
17 don't recall. And specifically inside of
18 Freddie Mac, I don't recall.

19 Q. Let me show you another exhibit.

20 I'm going to show you a document whose Bates
21 number begins at FHFA 03238396.

22 (Deposition Exhibit 5437 was
23 marked for identification.)

24 BY MR. HARSCH:

25 Q. That exhibit has been marked 5437.

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2

And this seems -- this is a -- looks like a
meeting invite dated March 7, 2007, it says:

4

"In line with the subprime initiative, we were
working on understanding the costing and
pricing of subprime given what we need" --

7

"what we read each day, we know that pricing is
heavily dependent upon who is originating the
loan. We would like to get some feedback on
the underwriting of some of the large subprime
originators; Wells, HSBC, Chase, WAMU,
Countrywide, and also look at some of the
originators that are currently facing serious
financial issues on the off chance that we
might want to bid discounted loans from these
distressed counterparties, New Century and
Fremont."

18

Do you recall this meeting invite
which you received?

20

A. No.

21

Q. It's from someone named Kevin. Who
would the Kevin be?

23

A. Kevin Palmer.

24

Q. Do you have an understanding of why
he would be calling for a meeting such as this?

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2 be a little hard to check as we sit here. Do
3 you know whether you printed out all of the
4 attachments?

5 MR. HARSCH: It should be.

6 MS. BRADLEY: It's our understanding
7 that is the whole family.

8 MR. OBLAK: Okay.

9 THE WITNESS: Generally speaking, it
10 looks to be -- well, the e-mail is us telling
11 Sally this will be the final list of loans that
12 we have rejected.

13 BY MR. HARSCH:

14 Q. From a certain T deal?

15 A. From a certain T deal.

16 Q. That's the T deal that -- whose
17 offering circular we just looked at, right, the
18 Wells Fargo T-74? If you look at the subject
19 line for the first attachment? Wells T-74
20 write-up final?

21 A. Yes, probably so, yeah. Yes.

22 Q. Did the binders in your office
23 contain materials like this?

24 A. Yes.

25 Q. Can we turn first then to the first

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2 attachment, please, the Bates number ends in
3 5054.

4 MR. OBLAK: I will just note for the
5 record that it doesn't appear initially that it
6 is consecutive, and the attachment begins at
7 054 and the e-mail ends at 043, so unless the
8 attachments are out of order, it would appear
9 there are attachments missing within the Bates
10 ranges, and I note that objection on a
11 completeness basis to this exhibit.

12 BY MR. HARSCH:

13 Q. Are you there?

14 A. I am.

15 Q. Is this a summary of the due
16 diligence review that was conducted in
17 connection with these Wells Fargo loans?

18 A. This is a summary review of T-74, it
19 looks like, yes.

20 Q. And you note in the second -- do you
21 know who wrote this summary?

22 A. More than likely, I did.

23 Q. So you write in the second paragraph
24 that: "This was the first subprime due
25 diligence completed between Wells Fargo and

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2 Freddie Mac."

3 So these are subprime loans,
4 correct?

5 A. Yep.

6 Q. And you write at the end of the
7 third paragraph: "Throughout the review, the
8 randomly-selected loans showed significantly
9 better results with fewer loans with material
10 exceptions than the targeted loan sample."

11 Can you explain what that means?

12 A. So what that would mean is that in
13 this sample of loans, there was two
14 populations, one that was adversely-selected
15 and one that was randomly-selected.

16 Q. And the randomly-selected portion
17 did -- showed significantly better results and
18 fewer loans with material exceptions than the
19 adversely-selected, right?

20 A. That's what it says here.

21 Q. You used the phrase "material
22 exceptions." How did you determine what is a
23 material exception?

24 A. Sitting here today, I don't recall.

25 Q. In determining whether an exception

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2 was material, did you use your judgment?

3 MR. OBLAK: Objection to form.

4 THE WITNESS: Generally that would
5 have been the process, yes.

6 BY MR. HARSCH:

7 Q. It is not a matter of objective
8 fact, though, is it?

9 MR. OBLAK: Objection to form.

10 BY MR. HARSCH:

11 Q. Whether an exception is material?

12 MR. OBLAK: Objection to form.

13 THE WITNESS: It's an objective fact
14 that it's an exception.

15 BY MR. HARSCH:

16 Q. As to whether --

17 A. Apparently, we were using judgment
18 to -- whether or not it was material or not.

19 Q. And that can be a matter of opinion
20 and people could differ on whether an exception
21 is material, correct?

22 MR. OBLAK: Objection to form.

23 THE WITNESS: Again, I'm not trying
24 to speak to this document -- I mean, or this
25 review.

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2 BY MR. HARSCH:

3 Q. Isn't it true that the judgment as
4 to whether a given exception is material is a
5 matter of opinion and people could differ on
6 that judgment, correct?

7 MR. OBLAK: Objection to form.

8 THE WITNESS: We determined that
9 these were material exceptions. That was our
10 determination.

11 BY MR. HARSCH:

12 Q. Freddie Mac's determination?

13 A. Yes.

14 Q. And this would include exceptions to
15 both Wells Fargo's guidelines and to the
16 Freddie Mac guidelines, correct?

17 A. Again, specifically, I don't recall.
18 Probably not.

19 Q. Didn't you just read the pro sup
20 that said that the loans were underwritten in
21 accordance with Wells Fargo's guidelines and
22 Freddie Mac's guidelines?

23 MR. OBLAK: Objection to form.

24 THE WITNESS: I did.

25 BY MR. HARSCH:

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2 Q. Now, there is a summary there then
3 in words for the random pool and it says under
4 credit comments on the second -- I don't know
5 what you call those things, arrows?

6 A. Sure.

7 Q. "Credit rejections are 29 loans for
8 11 percent of the random sample."

9 Can you explain what that means?

10 A. Well, whatever the random sample
11 was, it looks like maybe it was 300-ish loans.
12 11 percent of that were credit rejections.

13 Q. Would those be rejections based
14 either on the Wells' guidelines or Freddie
15 guidelines?

16 A. It would be credit rejections.

17 Q. What do you mean by "credit
18 rejections?"

19 A. Well, specifically, looking at this
20 eight years later, seven years later, some type
21 of an exception or something made the loan
22 ineligible.

23 Q. So I just want to understand sort of
24 the package as a whole.

25 In these two charts, the review

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2 results, where loans are marked as 3s with
3 material exceptions noted, those are the loans
4 that Freddie would not buy, right?

5 MR. OBLAK: Objection to form.

6 THE WITNESS: Yes, 3s, 3 Cs, we
7 didn't buy.

8 BY MR. HARSCH:

9 Q. So then if we look to the next
10 attachment that begins 5059, this is a list of
11 -- it says: "An individual asset summary
12 report," and it says: "The loan cart count is
13 83," and if you look at the credit events, they
14 are all 3s and then there's a few 2 Ws in
15 there, but they all seem to be either credit or
16 compliance 3s.

17 So would this be the collection of
18 loans that were rejected from the pool?

19 MR. OBLAK: Objection to form.

20 There are 1s here in the credit
21 event, too.

22 BY MR. HARSCH:

23 Q. Well, what I'm saying is -- I'm
24 sorry.

25 So each loan seems to either have a

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2 Credit 3 or a Compliance 3.

3 A. That's right.

4 Q. So this collection would be the
5 loans that were rejected, right?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: No, not necessarily.

8 So these reports are run at a point
9 in time. I got these reports every day or
10 close to every day, so it was a very much
11 moving population of loans.

12 So on this day, these were the loans
13 that were ineligible for purchase.

14 BY MR. HARSCH:

15 Q. And things could change, though, if
16 something was cured or --

17 A. Yes.

18 Q. Okay. And can we then turn to the
19 next page -- I'm sorry, the page whose Bates
20 number ends in 5061, and this is called: "An
21 individual asset summary report."

22 Is this a report on a specific loan
23 that was in this pool?

24 A. Yes. This is the format that
25 Clayton captured data. So it would be -- this

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2 would be one loan's data.

3 Q. And were you personally involved in
4 reviewing some of these loans during the bulk
5 purchase due diligence?

6 A. Yes.

7 Q. And now on the first page, it says:
8 "Review summary of credit event grade, Clayton
9 3 final 3."

10 That would indicate the grade that
11 the loan was given, correct?

12 A. Yes.

13 Q. All right. On the next page ending
14 in 5062, there is a section called: "Material
15 exceptions," and here it says: "Credit, seller
16 contributions exceed guideline," and there is a
17 parenthetical: "(U.06)."

18 What does that refer to?

19 A. I don't know.

20 Q. There is a section on the next page,
21 5063, for compensating factors.

22 A. I see that.

23 Q. What -- who determined the
24 compensation factors?

25 A. Clayton filled all these sheets out.

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2 Q. Did Freddie provide any instructions
3 to Clayton on what would constitute a
4 compensating factor?

5 A. I don't recall.

6 Q. Did you -- in reviewing these loans,
7 did you take into consideration these
8 compensating factors?

9 MR. OBLAK: Objection to form.

10 THE WITNESS: We may have.

11 BY MR. HARSCH:

12 Q. In what context?

13 A. I don't specifically recall this
14 pool. So in -- to that context, I don't know
15 what we would have or wouldn't have considered.

16 Q. The next section is marked:

17 "Nonmaterial exceptions."

18 Who determined whether an exception
19 was nonmaterial?

20 A. So that would be joint with Clayton
21 and Freddie Mac, so the certain criteria, we
22 would tell them upfront that we viewed certain
23 things nonmaterial so, for example, if an ARM
24 disclosure wasn't provided, we probably told
25 them from our perspective, that is a

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2 nonmaterial event.

3 Q. So as part of the scripts given to
4 Clayton, Freddie Mac would provide instructions
5 as to what exceptions would -- it would deem
6 nonmaterial?

7 MR. OBLAK: Objection to form.

8 THE WITNESS: Upfront, no. What we
9 would do is we would see a lot of loans so, for
10 example, the ARM disclosure missing.

11 If after seeing that on what might
12 be a lot of loans, we may say from our
13 perspective, this is one we view as
14 nonmaterial.

15 BY MR. HARSCH:

16 Q. So that would -- that determination
17 or that instruction from Freddie Mac to Clayton
18 about exceptions it viewed as nonmaterial would
19 come during the course of the due diligence,
20 rather than as part of the script?

21 A. I think so.

22 Q. And would that include also
23 determinations by Freddie Mac as to which
24 exceptions from the Wells Fargo guidelines were
25 deemed nonmaterial?

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2 whose Bates number ends in 5380.

3 This is a different set of these
4 individual asset summary reports.

5 A. When you say a different set, what
6 do you mean?

7 Q. Well, it is separated out from the
8 other ones.

9 The first set had mostly -- as I
10 said, had 3s either in credit or compliance,
11 and these seem to have 1s or 2 Ws?

12 A. Okay.

13 Q. And it says the loan -- it states:
14 "The loan count is 328." The prior set had 83.
15 If you add those together, that is 411 and that
16 is your sample size.

17 A. Okay.

18 Q. All right?

19 MR. OBLAK: Objection to form.

20 BY MR. HARSCH:

21 Q. So is this set of loans the loans
22 that -- at least at this stage in the process,
23 had been deemed acceptable?

24 MR. OBLAK: Objection to form.

25 THE WITNESS: No.

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2 BY MR. HARSCH:

3 Q. So what is it? Why is it set off
4 from the other set?

5 A. I don't know. I just noticed that
6 there is a Compliance Grade 3 and a Credit
7 Grade 3, so it doesn't look acceptable looking
8 at this page that you pointed me to.

9 Could be that this is the random and
10 the targeted pools were separate. I don't
11 know.

12 Q. Are you looking at the page whose
13 Bates number ends in 5380?

14 A. No, I'm not. 5080, sorry.

15 Okay. I'm sorry. I'm on the right
16 page I think.

17 Q. All right. So now, is this the set
18 of loans, at this stage in the process, had
19 been deemed acceptable?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: Yes, it appears so.

22 BY MR. HARSCH:

23 Q. Let me direct you then to page --
24 Bates number ends in 5406.

25 This is an individual asset summary

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2 report from a borrower named Andre Thomatis or
3 Thomatis.

4 You see the cover page for it?

5 A. I do.

6 Q. And now let's turn to the last page
7 of the individual summary report, the Bates
8 number ends in 504 -- 5409, sorry.

9 This is on the section waived or
10 satisfied exceptions, it says: "Unexecuted
11 note satisfied." It notes a missing signature
12 page, Page 3, and then cites the lender
13 response: "Lender provided a copy of the
14 signed note, issue cleared."

15 Do you have an understanding of what
16 that would refer to?

17 A. Yeah. So the loan file we got was
18 incomplete. It was missing the signature page
19 of the note and the lender provided it.

20 Q. Okay. Now this loan was initially
21 marked by Clayton as a 3, right?

22 A. Yes.

23 Q. And the grade was changed to 2 W,
24 right?

25 A. Yes.

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2 Q. And the reason it was changed to 2 W
3 is because an issue was satisfied. There was a
4 missing document and it was supplied by the
5 lender, right?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: Well, that's one of
8 the reasons.

9 BY MR. HARSCH:

10 Q. All right. But just in terms of
11 this exception, there was a missing document
12 flagged and then the lender was able to provide
13 it, right?

14 A. Yes, in terms of this specific one,
15 right.

16 Q. Was it often the case that
17 exceptions were found based on missing
18 documents that the lender was then able to
19 provide?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: It happens.

22 BY MR. HARSCH:

23 Q. It is not unusual, right?

24 A. Not unusual.

25 Q. And the fact that Clayton initially

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2 marked this as a 3 and Freddie later accepted
3 it, doesn't mean that anything was wrong with
4 the loan, correct?

5 MR. OBLAK: Objection to form.

6 THE WITNESS: It met the criteria
7 that it had a signed -- yes, it would appear
8 so.

9 BY MR. HARSCH:

10 Q. Nothing was wrong with it?

11 MR. OBLAK: Objection to form.

12 THE WITNESS: Again, I'm looking at
13 this loan seven years later looking at three
14 pages. We accepted it. They accepted it.

15 BY MR. HARSCH:

16 Q. But from Freddie's perspective,
17 nothing was wrong with the loan and they bought
18 it, right?

19 MR. OBLAK: Same objection. Asked
20 and answered.

21 THE WITNESS: Yeah. I assume we
22 bought it.

23 MR. OBLAK: Rob, are we good to take
24 a break here? It's about an hour and a half.

25 MR. HARSCH: Yes. Let me -- can I

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2 ask two quick questions on this?

3 MR. OBLAK: Okay.

4 BY MR. HARSCH:

5 Q. On that same -- on that same detail
6 report under: "Waive satisfied exceptions,"
7 there is a parenthetical: "(FHL.M.02)."

8 A. Yep.

9 Q. Do you know what that refers to?

10 A. So you recall back when I said I
11 could flag loans that I wanted to look at no
12 matter what?

13 This appears to be one of the loans
14 that we flagged that we said the HVE difference
15 exceeds the 15 percent threshold, so Clayton,
16 again by the limitations of their system, were
17 able to capture what -- captured as material
18 exceptions, even though nobody looked at the
19 loan yet. That is what happened here.

20 We told them that we would run a
21 model HVE and it could -- a value variance of
22 -- I guess greater than 15 percent, so we asked
23 them, please flag this loan so that we can see
24 it. We want to see this loan regardless of
25 whether you think it's acceptable or not.

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2 Q. So the collateral check that you
3 mentioned that's making the process robust was
4 a check of the appraisal values against an HVE
5 tool?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: The stated appraisal
8 values, yes, against the HVE tool.

9 BY MR. HARSCH:

10 Q. What's the HVE tool?

11 A. Home Value Explorer.

12 Q. What is that?

13 A. It's an internal AVM that is run by
14 Freddie Mac.

15 Q. Did Freddie Mac sometimes use
16 CoreLogic's AVM?

17 MR. OBLAK: Objection to form.

18 THE WITNESS: Yes.

19 BY MR. HARSCH:

20 Q. Is there any reason to believe that
21 CoreLogic's AVMs were any less robust than
22 Freddie Mac's?

23 A. No.

24 Q. And you felt that running the
25 appraisal values against Freddie Mac's AVM made

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2 the diligence process robust, right?

3 MR. OBLAK: Objection to form.

4 THE WITNESS: Among other things.

5 BY MR. HARSCH:

6 Q. You mentioned something about a
7 fraud review?

8 A. Yes.

9 Q. And would you explain what the fraud
10 review entailed?

11 A. Well, you mentioned CoreLogic. We
12 also used CoreLogic and they provided a --
13 fraud review is probably not the best term, but
14 it's a risk score that certainly took into --
15 among other things, some type of a fraud
16 analysis and they provided a score back that we
17 also used to flag loans.

18 Q. Freddie didn't always use a fraud
19 review in its bulk purchases, though, correct?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: Right.

22 BY MR. HARSCH:

23 Q. And I think one of the things you
24 said that made Freddie's process -- due
25 diligence process particularly robust was the

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2 use of only adverse samples?

3 MR. OBLAK: Objection to form.

4 THE WITNESS: Initially, I believed
5 they were adverse samples.

6 BY MR. HARSCH:

7 Q. We just looked at a due diligence
8 review indicating there is both an adverse and
9 a random sample, correct?

10 A. That's right, we did.

11 Q. So Freddie didn't always just use
12 adverse samples, correct?

13 A. Right. It appears in this instance
14 we used both.

15 Q. And did you still feel that the due
16 diligence process Freddie conducted on these
17 Wells Fargo's loans that we've been looking at
18 was robust?

19 MR. OBLAK: Objection to form.

20 THE WITNESS: As I said, I don't
21 really recall this review specifically.

22 BY MR. HARSCH:

23 Q. Well, looking at it now, having
24 looked at the review, do you feel that the
25 process was robust?

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2 MR. OBLAK: Objection to form.

3 THE WITNESS: I have read a couple
4 of pages of five loans. We will certainly
5 stand by our write-up that we covered.

6 BY MR. HARSCH:

7 Q. You mentioned something about
8 occasions on which a guideline would be silent.
9 I want to understand a little bit more how
10 loans that had some kind of a characteristic on
11 which the guides were silent affected Freddie's
12 decision-making in these bulk purchases. Can
13 you explain?

14 MR. OBLAK: Objection to form.

15 THE WITNESS: I really can't. I
16 don't recall specific instances or what a
17 guideline might be silent or cover or not
18 cover.

19 BY MR. HARSCH:

20 Q. But there might be particular issues
21 on which a guideline is silent, but Freddie Mac
22 in its own discretion may decide not to take a
23 loan?

24 MR. OBLAK: Objection to form.

25 THE WITNESS: Can you repeat that?

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2 BY MR. HARSCH:

3 Q. There might be particular issues
4 with a loan -- there might be -- withdraw it.

5 There might be issues with a loan
6 and the guidelines are silent on that issue,
7 but Freddie Mac nonetheless would decide to not
8 take the loan, correct?

9 MR. OBLAK: Objection to form.

10 THE WITNESS: Possibly.

11 BY MR. HARSCH:

12 Q. And it would use its own discretion
13 in making that decision, correct?

14 MR. OBLAK: Objection to form.

15 THE WITNESS: Use its own
16 discretion.

17 Could -- so are we talking in
18 context of these reviews or Freddie Mac in
19 general?

20 BY MR. HARSCH:

21 Q. The bulk purchases that you were on.

22 A. The bulk purchases we were on.

23 Could have been Freddie Mac. It
24 could have been Clayton.

25 Q. Could you look now please at the

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2 individual asset summary report whose Bates
3 number ends at 5426.

4 This is a report for a borrower
5 named Gregg Rasmussen.

6 If you look at the front page, the
7 review summary indicates that the initial grade
8 was a 3, and then the final grade was a 2 W; is
9 that right?

10 A. Yes, it is.

11 Q. Now on the -- know what I'm going to
12 do? I'm going to start going the page numbers
13 on the top right hand of the reports
14 themselves, if that is okay with you?

15 A. That's fine.

16 Q. So if you look at Page 41 in the
17 section called: "Nonmaterial exceptions for
18 credit," it says: "Does not meet nonprimary
19 guidelines FLM.06."

20 Do you know what that means by
21 nonprimary guidelines?

22 A. Specifically, FMFHL06, no, I don't
23 specifically know what that means.

24 Q. Do you know what is being referred
25 to as nonprimary guidelines?

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2 BY MR. HARSCH:

3 Q. Right. And you applied your
4 judgment to say that that compensating factor
5 made the stated income exception --

6 A. I don't know --

7 Q. -- acceptable, correct?

8 A. -- specifically what I applied or
9 didn't apply. It looks like I agreed to buy it
10 as a 29 percent loan-to-value loan.

11 Q. Let's look at Page 161. This is an
12 asset summary report for Loretta Cisneros.
13 Initially graded a 3, final grade is a 2 W.

14 Do you see that?

15 A. I do.

16 Q. Now look at Page 163.

17 Actually, look at Page 164, please.
18 Under the section: "Waived, satisfied
19 exceptions," Clayton says stated income not
20 reasonable. "Stated income unreasonable.
21 Borrower states income of 7950 as facilities
22 tech for five years."

23 And then the next entry is: "Status
24 change issue waived by client," correct?

25 A. I see that.

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2 Q. And on other comments on Page 163,
3 it says value -- "Comments, Freddie Mac, value
4 supported at the time of closing, income is
5 overstated," so Freddie Mac agreed that the
6 income is overstated, correct?

7 MR. OBLAK: Objection to form.

8 THE WITNESS: Looks like it.

9 BY MR. HARSCH:

10 Q. "And borrower never late on any
11 account, in house ten years, LTV 80, some
12 savings, 20K, letting this loan slide," right?

13 A. I see that.

14 Q. And that's your entry, right, RF?

15 A. Yes.

16 Q. So you said you're going to let this
17 loan slide?

18 MR. OBLAK: Objection to form.

19 THE WITNESS: That's what I wrote.

20 BY MR. HARSCH:

21 Q. Even though you agreed the stated
22 income is unreasonable, right?

23 MR. OBLAK: Objection to form.

24 THE WITNESS: I wrote that.

25 BY MR. HARSCH:

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2 Q. Would you turn now to Page 221.

3 That is a summary report for Stephanie Chan.

4 Initially graded by Clayton as a 3, and then
5 changed to a grade of 2 W.

6 If you look at Page 223, there is a
7 section: "Waived, satisfied exceptions." One
8 of the waived or satisfied exceptions is:

9 "Debt ratio exception greater than five percent
10 and less than ten percent," and the entry says:
11 "43.6 percent, DTI exceeds 38 percent max
12 allowable. SIVA product loan approved, DTI
13 40.60 percent."

14 Do you understand what all that
15 means?

16 A. I think so.

17 Q. Can you explain it, please?

18 A. That the -- apparently, the
19 allowable DTI was 38 percent and the actual DTI
20 calculated was 43.6.

21 Q. Okay. And that issue was waived by
22 Freddie Mac, correct?

23 A. Looks like that it was.

24 Q. And under: "Other comments," it
25 says: "Discussed value with RF and feel value

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2 is supported."

3 I'm sorry. That's referring to an
4 appraisal.

5 Now would you look at Page 248.

6 It's an asset summary report for a borrower
7 whose name is Gary Pommerenck, I suppose.

8 Initially graded as a 3 and then changed to 2
9 W.

10 Are you there?

11 A. I am.

12 Q. So if we look at Page 251 --

13 actually, let's look at Page 250.

14 There is a comment there: "9-29-07,
15 okay 2 W, appraised value overstated. However,
16 LTV is 64 percent. True LTV closer to 80.

17 Income acceptable. Borrower executive director
18 at university who owns multiple properties,
19 excellent credit, RF."

20 That RF is you, right?

21 A. It is.

22 Q. And you found that the appraised
23 value was overstated, right?

24 A. That's what I wrote.

25 Q. And you deemed the loan to be

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2 acceptable and you waived it in, correct?

3 A. Yes, except that I don't believe
4 Clayton cited it as a value, so Clayton also
5 accepted it.

6 Q. But you found the appraisal to be
7 overstated, right?

8 A. That's what I wrote.

9 Q. And you accepted the loan?

10 A. I did.

11 Q. Would you look now on Page 409,
12 please.

13 This is an asset summary report for
14 Steven Podolinski, graded a 3, changed to a 2
15 W.

16 On Page 411 under: "Credit," it
17 says: "Income docs do not meet guidelines for
18 grade.doc type." It says: "It is waived.
19 Full income documentation loan required two
20 years W-2, only 2006 W-2 provided."

21 Do you see that?

22 A. I see that.

23 Q. Can you explain what that means?

24 A. Well, it appears that there were two
25 years of W-2 that were required and they only

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2 MR. OBLAK: Objection to form.

3 THE WITNESS: Not in the totality of
4 all the deals put together, I can't say it was
5 unusually some.

6 BY MR. HARSCH:

7 Q. I will show you this exhibit.

8 (Deposition Exhibit 5446 was
9 marked for identification.)

10 BY MR. HARSCH:

11 Q. So this is an e-mail between Bruce
12 Wood and Ray Romano initially and then -- I'm
13 sorry, this document begins FHFA 04626981.

14 On Page 6983, there is an e-mail
15 from Robert Skinner and he says: "Just a few
16 comments. We wrote up the deal as Safe Steps
17 match. Where Safe Steps was silent, it would
18 revert to the guide. As with most deals we
19 review in the bulk world, we review the
20 seller's guidelines and look for those items
21 out of the norm, but rarely, do we have time to
22 complete a side-by-side comparison to the
23 seller's entire guidelines to the guide. After
24 all, we do have the data file for review which
25 may include refreshed FICOs and the use of HVE,

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2 calibrator, ACE, market-to-market model, right?

3 A. Yes.

4 Q. Doesn't that indicate that most of
5 the reviews or deals done in the bulk world are
6 -- involved loans underwritten to the seller's
7 guidelines?

8 MR. OBLAK: Objection to form.

9 THE WITNESS: Can you repeat the
10 question? I'm sorry.

11 BY MR. HARSCH:

12 Q. Doesn't this indicate -- this e-mail
13 from Mr. Skinner, indicate that most of the
14 deals reviewed in the bulk world are --
15 involved loans underwritten to the seller's
16 guidelines?

17 MR. OBLAK: Objection to form.

18 THE WITNESS: Well, I would say that
19 most of the deals underwritten in the bulk
20 world pertain to loans that would be normally
21 eligible to Freddie Mac under our guides.

22 BY MR. HARSCH:

23 Q. But that are also underwritten to
24 the lender's guidelines, right, as indicated in
25 the offering circulars we reviewed?

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2 MR. OBLAK: Objection to form.

3 THE WITNESS: No. Those loans that
4 I think you are referring to generally meet the
5 guide or bulk would not be what generally is
6 referred to in those offering circulars.

7 BY MR. HARSCH:

8 Q. I'm a little confused on this. So
9 you have -- you are doing subprime and Alt-A
10 loans, right, through these T deals in bulk
11 purchases, right?

12 MR. OBLAK: Objection to form.

13 THE WITNESS: Right.

14 BY MR. HARSCH:

15 Q. Many of these T deals involve bulk
16 purchases of loans that were underwritten to
17 seller's guidelines and then sometimes had an
18 overlay from Freddie Mac, correct?

19 MR. OBLAK: Objection to form.

20 THE WITNESS: I think so.

21 BY MR. HARSCH:

22 Q. So when Freddie Mac instructed
23 Clayton on due diligence to be performed for
24 those Alt-A and subprime loans, part of its
25 instructions to Clayton was to review those

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2 loans for -- whether they complied with the
3 lender's guidelines, correct?

4 MR. OBLAK: Objection to form.

5 THE WITNESS: Well, again, I think
6 we are re-covering ground we have already
7 covered, but it would have been -- ensure
8 compliance with the guidelines that we have
9 agreed to purchase these loans. It could be
10 the lender's guidelines. It could be our
11 guidelines. It could be a mix of the two.

12 BY MR. HARSCH:

13 Q. When Clayton would review loans and
14 mark them as 3 for further review, sometimes it
15 did that because there was an exception to the
16 lender's guidelines, right?

17 A. Could be.

18 Q. That was sometimes the case, right?

19 A. Yes.

20 Q. All right.

21 I'm sorry. So you just said when
22 Clayton would mark loans as material
23 exceptions, sometimes it marked loans because
24 they violated the lender's underwriting
25 guidelines, right?

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2 MR. OBLAK: Objection to form.

3 THE WITNESS: Well, they violated
4 somebody's guidelines.

5 BY MR. HARSCH:

6 Q. Sometimes that was the lender's
7 guidelines, correct?

8 MR. OBLAK: Objection to form.

9 THE WITNESS: Could have been any
10 reason.

11 BY MR. HARSCH:

12 Q. Did Freddie -- Freddie Mac ever
13 instruct Clayton to review subprime or Alt-A
14 loans for whether they conformed to general
15 industry standards?

16 A. Can you repeat that? I'm sorry.

17 Q. Did Freddie Mac ever instruct
18 Clayton to review bulk subprime and Alt-A loans
19 for whether they conformed to minimum industry
20 standards?

21 MR. OBLAK: Objection to form.

22 THE WITNESS: Specifically, I don't
23 recall.

24 BY MR. HARSCH:

25 Q. Is that something you would recall

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2 if you had been part of issuing such an
3 instruction to Clayton?

4 MR. OBLAK: Objection to form.

5 THE WITNESS: There was one giant
6 bulk purchase that we did and I don't recall
7 the specifics of the direction given to
8 Clayton, so outside of that one, I would say
9 no. Inside of that particular transaction, I
10 don't recall.

11 BY MR. HARSCH:

12 Q. So outside of that particular
13 transaction, Freddie didn't instruct Clayton to
14 review loans for whether they conformed with
15 minimum industry standards?

16 MR. OBLAK: Objection to form.

17 THE WITNESS: Well, as I said
18 before, I don't recall that, no.

19 BY MR. HARSCH:

20 Q. That is something you would recall,
21 right?

22 MR. OBLAK: Objection to form.

23 Asked and answered.

24 THE WITNESS: I don't know.

25 BY MR. HARSCH:

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2 Q. Did you ever ask Clayton to review a
3 loan for whether the originator had obtained
4 explanations for inquiries on a credit report
5 that was in the loan file?

6 A. I don't recall.

7 Q. If that kind of instruction was
8 given to Clayton, would that be reflected in
9 the scripts that were given to Clayton?

10 MR. OBLAK: Objection to form.

11 THE WITNESS: If we gave scripts to
12 Clayton, I think we gave them guidelines. I
13 don't know if we would have given them that
14 specific of a direction or not. We may have.
15 I don't know.

16 BY MR. HARSCH:

17 Q. Have you ever heard of an industry
18 standard by which originators have to obtain
19 explanations for inquiries on a credit report?

20 MR. OBLAK: Objection to form.

21 THE WITNESS: Sure, I think that is
22 in some lender's guidelines.

23 BY MR. HARSCH:

24 Q. And not others?

25 MR. OBLAK: Objection to form.

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2 THE WITNESS: Possibly not others.

3 BY MR. HARSCH:

4 Q. So if there was such a requirement,
5 it would be in lender's guideline, right?

6 MR. OBLAK: Objection to form.

7 THE WITNESS: Could be in a lender's
8 guidelines. It could be in Freddie Mac's
9 guidelines.

10 BY MR. HARSCH:

11 Q. And have you ever heard of a general
12 industry standard to the effect?

13 MR. OBLAK: Objection to form.

14 THE WITNESS: I have heard that it's
15 something that people do.

16 BY MR. HARSCH:

17 Q. But not all people, right?

18 A. Not all.

19 MR. OBLAK: Want to break for lunch
20 soon, Brad?

21 MR. HARSCH: Yeah, let's break for
22 lunch.

23 THE VIDEOGRAPHER: Going off the
24 record.

25 The time is 12:45 p.m..